

South Carolina Legislative Audit Council  
Report to the General Assembly

**A MANAGEMENT REVIEW OF FRANCIS MARION UNIVERSITY**

August 1998

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## **EXECUTIVE SUMMARY**

Members of the General Assembly asked us to conduct a review of Francis Marion University (FMU). The requesters were concerned about reports of conflict between the administration and the faculty and about FMU's decline in enrollment. They also asked us to review financial and academic issues at the university.

### **Faculty Issues**

Francis Marion's current president assumed his position in July 1994. Since that time he has instituted a number of changes in the governance and programs of the university. His work has been well received by the FMU board of trustees and by constituencies outside the institution. However, the current administration's relationship with the FMU faculty has been generally characterized by conflict.

We surveyed faculty in February 1998 and found a pervasive conflict between the faculty and the administration that is costly and harmful to the university. Some general themes of the faculty's responses are listed below.

- General negative characterization of the relationship between the faculty and the administration. This relationship is considered to lack trust and is variously described as poor, adversarial, poisoned, strained, torn, or "war."
- Faculty perception that they lack input into decision-making at FMU.
- Faculty concern with the climate in which they work. Respondents noted that faculty fear retribution and the administration attempts to govern through intimidation.
- Faculty's generally negative views of the performance of the administration and individual administrators.
- Faculty acknowledgment of their role in the problems that affect FMU.

We also reviewed some issues that are related to the conflict between the faculty and the administration.

- The FMU administration disregarded the program proposal developed by a committee that considered general education issues from fall 1994 through spring 1997. As a result, the university wasted resources and has not achieved a redesign of its general education requirements.
- The university's faculty grievance policy does not provide an adequate system through which faculty can appeal personnel decisions or alleged violations of academic freedom.
- Francis Marion employed three part-time faculty during the 1997-98 academic year who did not meet the university's criteria for teaching courses.

## **Institutional Issues**

Student enrollment has declined at Francis Marion in recent years. From fall 1993 to fall 1997, total enrollment declined 16%. We identified factors that may be associated with the enrollment decline.

- Easier transfer from two-year public technical colleges to four-year public colleges may increase the likelihood that first- and second-year college students attend technical colleges.
- Francis Marion did not have continuity in its admissions office staff from July 1995 to February 1998.
- The disagreements and conflict between the university administration and members of the faculty have been communicated to the public through the media.
- Though Francis Marion's tuition has been lower than many other four-year state institutions, the difference between FMU's tuition and that of nearby Florence-Darlington Technical College has increased significantly.

In response to declining tuition and fee revenues, FMU officials reported they have deferred needed maintenance of the campus. If the decline continues, Francis Marion may have to reduce staffing levels.

The Commission on Higher Education (CHE) is required by state law to develop a formula for funding public colleges and universities based on their performance. Performance funding is being phased in through FY 1999-2000. Francis Marion is responding to performance funding mandates that apply to all institutions of higher education.

- For its FY 97-98 funding, Francis Marion's performance score ranked sixth among the nine institutions in its category. FMU has made changes in its operations, such as increasing admissions standards and obtaining accreditation for academic programs, to meet the objectives of the performance indicators.
- There are shortcomings in the state's performance funding process. Also, the CHE should implement a system for verifying the accuracy of data reported by colleges and universities.

## **Financial Issues**

We reviewed Francis Marion's expenditures and control over assets. Our findings are summarized below.

- Francis Marion did not have an adequate budget for renovations made to the president's home in FY 94-95 and FY 95-96. We identified more than \$235,000 in project costs, not including labor provided by university employees. Also, some items purchased were not cost-effective. The university spent approximately \$100,000 to remodel the kitchen, including more than \$51,000 for cherry wood kitchen cabinets. FMU also made procurement errors in the project.

- FMU may have violated state law by improperly spending public funds on meals, receptions, and entertainment for groups of employees and board members.
- Prior to our review, Francis Marion University had not been reimbursed for all services it provided to the Francis Marion University Foundation, a private organization. Also, FMU's internal auditor provides accounting services for the foundation, which could limit audit independence in reviewing FMU's fund-raising efforts.
- Francis Marion could improve its system of accounting for equipment that is susceptible to theft.

### **Academic Issues**

We reviewed several issues relating to academic standards. Our findings are summarized below.

- FMU awarded scholarships to freshmen who did not meet the criteria for receiving the scholarships. Sixty-two (59%) of the 105 recipients did not meet the scholarship criteria. Although the criteria allow the university to make reasonable exceptions, FMU did not document why the scholarships were awarded.
- More than 70% of Francis Marion's out-of-state (nonresident) freshmen did not pay out-of-state fees. The university has a broad policy allowing out-of-state fees to be waived for nonresident students who receive scholarships as small as \$25 per semester. S.C. Code Section 59-112-70 allows institutions to waive out-of-state fees for recipients of scholarship aid. However, the practice of waiving fees for students who receive token scholarships may violate the intent of the General Assembly.
- Francis Marion did not adequately implement its comprehensive achievement program (CAP) - a program for freshmen admitted with borderline qualifications. Also, the university has not adequately planned or monitored changes in its night class schedule.
- Francis Marion needs to improve controls over student grade changes. Eight (15%) of 54 grade changes we examined were made without the instructor's signature. Also, the university did not use its grade appeal process.

## **CHAPTER 1**

### **INTRODUCTION AND BACKGROUND**

#### **Audit Objectives**

As requested by members of the General Assembly, we conducted a management review of Francis Marion University (FMU). The audit requesters were concerned about reports of conflict between the administration and the faculty and FMU's declining enrollment. They also asked us to review financial and academic issues. The objectives of this audit are listed below.

- Determine the extent of faculty conflict with the administration and identify causes.
- Determine whether Francis Marion has an adequate process to ensure that faculty are qualified for their positions.
- Determine the causes of Francis Marion's reduction in enrollment.
- Review the adequacy of Francis Marion's response to state law (1996 S.C. Act 359) establishing performance funding.
- Determine the adequacy of Francis Marion's progress in establishing accreditation for the institution and its programs.
- Determine whether the costs incurred by Francis Marion to renovate the president's house were reasonable.
- Determine whether Francis Marion has expended auxiliary enterprise funds in accordance with state law.
- Determine whether Francis Marion's relationship with its foundation is in compliance with state law.
- Determine the adequacy of the process by which Francis Marion keeps track of its assets.
- Determine whether Francis Marion has complied with its admission standards and scholarship criteria.
- Review Francis Marion's process for implementing changes in academic programs and processes to determine whether improvements are needed.
- Determine whether Francis Marion has appropriate controls in the issuance of grades and degrees.

#### **Scope and Methodology**

The period of review began with the arrival of the current president in July 1994 and extended through 1997. In some areas we focused on a more recent period as specified in the report.

We reviewed several types of records:

- Financial and accounting data.
- Student academic, admissions, and scholarship records.
- Course schedules.
- Personnel records.
- Purchasing and inventory records.
- Minutes of board, faculty senate, and committee meetings.
- Financial records of Francis Marion's foundation.

We also reviewed information Francis Marion compiled for the Southern Association of Colleges and Schools (SACS) accreditation process and other reports from Francis Marion. Other sources of data included the Commission on Higher Education, the Budget and Control Board's offices of human resources and general services, and South Carolina institutions of higher education. We interviewed faculty and staff at Francis Marion, employees of other state agencies, and employees of organizations in other states.

We conducted a survey of Francis Marion's faculty and asked the University of South Carolina's Survey Research Laboratory to assist us in analyzing the survey results and assessing their validity. We performed limited verification of computer-generated information that we used; however, the reliability of computer-generated data was not central to our audit objectives, and, when all evidence is viewed in context, we believe the opinions, conclusions, and recommendations in this report are valid.

We used state laws and regulations, attorney general opinions, Francis Marion's policies, and commonly recognized standards of management and good business practice to evaluate Francis Marion's performance. We performed limited nonstatistical sampling, as discussed in the report. We evaluated management controls including those over expenditures, faculty qualifications, grade changes, assets, admissions, and scholarship renewals.

This audit was conducted in compliance with generally accepted government auditing standards.

## **Background**

Francis Marion College was officially established on July 1, 1970. It became Francis Marion University (FMU) in 1992. The college was originally governed by the State College Board of Trustees, which also governed the College of Charleston and Lander College. In 1988, separate boards were established for these institutions, and currently FMU is governed by a board of trustees comprised of the Governor, who is an ex officio member, and 16 other members. Fifteen of the members are elected by the General Assembly and one member is appointed by the Governor. The board members serve four-year terms.

The university is located on a 300-acre tract of land seven miles east of Florence, South Carolina. In fall 1997 there were 2,717 FTE (full-time equivalent) undergraduate students and 169 FTE graduate students for a total of 2,886. In addition to undergraduate degrees, the university offers master's degrees in business, education, and psychology. For the spring 1998 semester, on-campus housing was 80% occupied with 884 students living in residence halls and apartments.

As of December 1997, the university had 394 FTE employees. The administration is headed by a president, and there are 177 full-time faculty members. The academic departments are organized into three schools - the School of Arts and Sciences, the School of Business, and the School of Education, Behavioral and Social Sciences. As shown in Table 1.1, FMU's total revenues for FY 96-97 were \$33.5 million, of which \$14.1 million (42%) was state appropriations and \$11.6 million (35%) was student fees.



**Table 1.1**  
**FY 96-97 Revenues and Expenditures**

<b>Revenues</b>	
Student Fees	\$11,605,043
State Appropriations	\$14,140,719
Federal Grants and Contracts	\$2,100,961
Other Grants, Contracts, and Gifts	\$785,364
Interest	\$37,156
Auxiliary Enterprises	\$4,536,439
Other	\$249,493
<b>TOTAL Revenues</b>	<b>\$33,455,175</b>
<b>Expenditures</b>	
Instruction	\$11,902,711
Research	\$46,943
Public Service	\$258,453
Academic Support	\$2,496,547
Student Services	\$2,585,168
Institutional Support	\$3,641,163
Plant Operation and Maintenance	\$3,727,896
Scholarships and Fellowships	\$3,997,059
Other Education and General	\$14,905
Auxiliary Enterprises and Mandatory Transfers	\$6,405,498
Other Deductions and Transfers	(\$1,582,104)
<b>TOTAL Expenditures</b>	<b>\$33,494,239</b>

Source: Francis Marion University.

## **CHAPTER 2**

### **FACULTY ISSUES**

#### **Conflict Between the Faculty and the Administration**

The members of the General Assembly who requested this audit were concerned about reports of conflict between the administration and the faculty at Francis Marion. They cited the faculty vote of “no confidence” in the president in 1996 and asked us to determine what the problems were. We reviewed the record of conflict between the faculty and the administration, and in February 1998 surveyed the faculty about their current attitudes. There continues to be a pervasive conflict between the faculty and the administration that is costly and harmful to FMU.

#### **Background of Conflict**

Since assuming his position in July 1994, the current president of FMU has instituted a number of changes in the governance and programs of the university. His work has been well received by the FMU board of trustees and by constituencies *outside* the institution, including local school district officials and members of the business community. However, the current administration’s relationship with the FMU faculty has been generally characterized by conflict.

Many of the disputes at Francis Marion have involved the faculty’s role in governance. Most universities and colleges have systems of shared governance, in which boards, presidents, and faculty members participate in making decisions about issues that affect the institution. The structures vary, but faculty traditionally have had a primary role in making decisions about the institution’s curriculum and systems of faculty evaluation. A 1996 study by the Association of Governing Boards of Universities and Colleges generally advocates a stronger role for college presidents. However, the study states, “When making decisions about the curriculum . . . or judging the competence of colleagues . . . the faculty’s voice should generally hold sway.”

In 1994, just prior to the current president’s administration, Francis Marion adopted a new faculty constitution and faculty senate bylaws. The president identified problems with the procedures established by the constitution and did not always follow them. There were disputes over faculty grievance procedures, tenure and promotion policies, post-tenure review, and the faculty evaluation system. In an April 1996 meeting, 72% of faculty attending voted no confidence in the president.

Some faculty requested an investigation by the American Association of University Professors (AAUP), which in 1997 found “severe departures” from AAUP standards of shared governance. The AAUP noted a “highly polarized state of affairs” between the faculty and the administration and stated that the board of trustees had not taken action to ameliorate the situation.

The SACS team reviewing Francis Marion’s accreditation also noted a “very high level of tension, anxiety, and conflict among faculty, administrators, and trustees . . . .” Based on its interpretation of the accrediting team’s recommendation regarding the school’s governance, in April 1997 the board of trustees dismantled FMU’s faculty senate and revoked faculty governance procedures. The faculty narrowly approved a new constitution in September 1997, but the new faculty senate had not yet met as of April 1998.

## 1998 Survey of Faculty

We surveyed faculty in February 1998 and found continued widespread dissatisfaction with the administration. We sent surveys to 173 faculty members (all faculty except 4 top administrators), and 134 were returned for a response rate of 77.46%. The University of South Carolina's Survey Research Laboratory (SRL) analyzed the survey results and found that the respondents had largely negative views concerning many of the aspects of Francis Marion University considered in the survey. (See [Appendix A](#) for the survey questions and results.)

- The faculty perceive conflict between themselves and the administration. While 36% agreed that the administration and faculty have resolved some issues of conflict, more than 70% disagreed that the relationship between the administration and faculty has improved since the 1996 vote of no confidence.
- The faculty displayed generally negative views of the administration's performance. They were negative about the administration's planning and implementation of change, and 68% did not agree that communications between the administration and faculty met their needs. They were also negative about the performance of individual administrators, particularly the president, the provost, and one of the deans.
- The faculty's views of specific aspects of the campus climate were negative. A majority did not believe that the university's policies for grievances or academic freedom were adequate. They indicated their belief that faculty would suffer adverse consequences if they expressed their opinions about FMU's policies and programs or about FMU's administration.
- Faculty were somewhat less negative about resources at FMU. Almost 70% agreed that their access to information technology tools was adequate and 40% agreed that their academic program had adequate resources.
- The majority of faculty respondents did not support the new governance structure, and 72% did not believe that FMU as an institution has improved during the current administration.

The SRL analyzed the survey results by school and found that faculty from the School of Business were less negative in their attitudes than faculty from the other two schools. The SRL also found that the views of faculty with tenure differed significantly from those of the non-tenured faculty, with the tenured faculty generally holding more negative views.

## Open-Ended Responses

We also asked faculty to provide their own characterizations of the relationship between the faculty and the administration and to provide suggestions for improvement. The SRL coded the responses to these open-ended questions, using up to five categories for each respondent. They found that the responses were consistent with the data from the closed-ended items and stated:

Most striking is the magnitude of negative responses compared to those that were positive. Of all the responses, 313 were coded as negative while only 19 were considered positive.

They identified general themes in the open-ended responses:

- General negative characterization of the relationship between the faculty and the administration. This relationship is considered to be one of lack of trust and is variously described as poor, adversarial, poisoned, strained, torn, or "war."
- Faculty perception that they lack input into decision-making at FMU.

- Faculty concern with the climate in which they work. Respondents noted that faculty fear retribution, the president treats them as adversaries and blames them for problems, and the administration attempts to govern through intimidation.
- Faculty question the competence of the administration and individual administrators.
- To a lesser extent, some faculty acknowledge their role in the problems that affect FMU, noting that some faculty cause problems, and that faculty are uncooperative and unwilling to admit positive things about the administration.
- Several noted the negative implications of the situation, specifically, that faculty have left FMU or are trying to leave, and that declining student enrollments reflect the problems that exist.

### **Suggestions for Improvement**

The SRL also coded the respondents' suggestions for improving the relationship between the faculty and the administration. The most frequently given responses involved replacing members of the administration. Beyond personnel changes, the most common faculty recommendations involved giving the faculty more input into decision-making. A number of faculty saw better communication as a means for improving the relationship.

### **Costs of the Conflict**

Conflict between the faculty and the administration results in wasted resources. One hundred faculty (75%) responding to the survey indicated that the conflict is a distraction in the performance of their duties. We discussed the survey results with the president, the provost, and the three deans, and they all agreed that the conflict results in wasted resources. There is evidence that resources have been wasted in the experience of committees, such as the general education committee. The conflict may also have contributed to FMU's declining enrollment.

Other costs include payments totaling \$17,000 to members of the faculty transition committee appointed when the former faculty governance organizations were disbanded. Faculty were not normally compensated for participating on faculty committees. The consultant hired to assist with drafting new governance documents has been paid \$14,500 over the past year. The university has retained other consultants to address program issues that faculty might normally review.

These monetary costs are small compared with the costs to organizational morale. The knowledge, expertise, and meaningful participation of all Francis Marion employees are needed to help the university continually improve its programs and operations.

## **Conclusion**

The SRL summary of the survey results stated:

Overall, the results of this survey of FMU faculty indicate that the relationship between FMU faculty and the administration is largely a negative one. The faculty are almost unanimous in their perception that issues of conflict between the faculty and administration remain unresolved. The faculty question the competence and leadership abilities of the administration and believe that the climate of FMU for faculty is a very negative one. The depth of the problems are such that a number of faculty believe that they cannot be salvaged and suggest that the problems of FMU cannot be resolved without a change in administration.

Short of a change in administration . . . without a change in structure that systematically incorporates the views of the faculty in some shared governance arrangement, the issues that face FMU are likely to remain unresolved.

Evidence indicates the faculty/administration relationship may be severed beyond repair. If so, administrative personnel changes may be one way to change the situation. However, there are other means, short of personnel changes, that could be attempted. An official with the Budget and Control Board's office of human resources suggested that using an independent external mediator could bring positive results for the university.

## **Recommendation**

1. The Francis Marion University board of trustees should take action to reduce the conflict between the administration and the faculty. The board should ensure that efforts to improve the relationship are assessed and the results used to affect positive change.

## **Use of Committees**

The majority of respondents (60%) strongly disagreed that the FMU administration is receptive to findings and recommendations of faculty committees, and 71% agreed that recommendations of faculty committees are not implemented by the administration. Faculty members cited several examples to illustrate their views. We reviewed the experience of the general education committee, as discussed below.

### **General Education Committee**

The FMU administration disregarded the program proposal developed by a committee that considered general education issues from fall 1994 through spring 1997. As a result, the university wasted resources and has not achieved a redesign of its general education requirements.

General education requirements consist of a core curriculum that all students must take in order to graduate from Francis Marion. Francis Marion's general education requirements have not been revised since the school's founding in 1970. In 1994, FMU's president appointed a committee to revise the school's general education program. The committee's charge was to start "with a blank slate," and "design a general education program which provides students with the skills, competence, and confidence to participate in the 21st century."

The 28 committee members included faculty (61%), staff, alumni, and students. The committee worked over a period of 30 months to redesign FMU's general education program and used a variety of methods to accomplish its task:

- Reviewed other institutions' general education programs.
- Attended presentations by experts in assessment.
- Reviewed current literature about general education.
- Considered changes in general education goals to reflect the university's current mission statement.
- Obtained and reviewed input from the Francis Marion community on goals and courses.
- Reviewed and developed assessment methods for general education.

A review of committee records shows that the group worked collaboratively to accomplish its tasks. The committee first developed goals for general education. The goals were approved by the faculty senate in November 1995. By spring 1997 the committee had designed and approved a new general education program that included general education goals, courses in the core curriculum, and proposed methods of assessment. The committee's proposed program was on the agenda of the FMU academic council when that body was set aside by the board of trustees in April 1997.

After this time, the program approved by the committee was never considered by any other faculty organization. It was never formally approved or disapproved by the faculty or the FMU administration. However, other items pending when the FMU governance structure was set aside were considered by the faculty transition committee. We could not determine why the general education proposal was not considered further.

### **New General Education Committee**

In December 1997, the FMU president appointed a new "blue ribbon" committee to revise the general education program. University press releases announcing the effort did not mention the former committee or its work. Only the provost as chair and 1 other member of the new 18-person committee was also on the former committee. The new committee again had the charge of "starting with a blank slate," to "design a general education program which provides students with the skills, competence, and confidence to participate in the 21st century." It is unclear why a new committee would be needed or why a new committee should start "with a blank slate." At a minimum, the expertise and experience of the former committee members could offer valuable resources to the ongoing effort.

When he appointed the new committee, the president cited the SACS accreditation team recommendations about general education. The SACS report recommended that oral communications, computer competency, and assessment be provided for in the FMU general education program. However, these recommendations were compatible with the original committee's proposed program and could have been addressed if it had been approved.

### **Costs and Effects of the Committee's Experience**

The cost of the work of the first general education committee was substantial. The committee had more than 40 meetings that were often attended by 15 or more members. We estimated that its members spent more than 1,800 staff hours doing the committee's work. Since the new committee is starting over, much of the time spent by members of the first committee was, in effect, wasted.

Another cost could be the negative effect on the attitude and morale of the members of the first committee. When their proposal wasn't considered, it was made to seem "as if it didn't exist." The majority of faculty responses to our survey were critical of communication between the administration and the faculty. We found no evidence that members of the former general education committee were ever told that their proposal would not be considered further or why.

Finally, curriculum is an area of university operations where faculty generally have primary authority. Eighty-four respondents (64%) to our survey did not think that faculty have adequate input in establishing the curriculum. The new general education committee, comprised of administrators, faculty and students, has a minority of members who are teaching faculty (44%).

### **Recommendations**

2. The administration of Francis Marion University should ensure that it uses committee resources effectively. The administration should consider and respond to committee recommendations and clearly communicate this response to all members of committees.
3. The administration should ensure that faculty have adequate input into the university's curriculum.

### **Faculty Grievances**

Only 28 survey respondents (22%) agreed that the university's faculty grievance policy has adequate provisions to protect employees' rights. We reviewed the grievance policy and the outcome of recent grievances to determine why the faculty might have this perception. We found that the faculty grievance policy does not provide an adequate system through which faculty can appeal personnel decisions or alleged violations of academic freedom. Also, the eight faculty grievances filed since 1996 have been denied by the president.

The grievance policy adopted by the board in October 1997 provides different procedures for different types of grievances. However, the procedures for grievances relating to academic freedom or tenure could not be used because they rely on two committees which, as of April 1998, did not exist. According to the grievance policy, if the grievance relates to academic freedom or tenure, it is to be resolved "in accordance with the university policy on academic freedom and tenure." The academic freedom and tenure policy is implemented by the academic freedom and tenure grievance subcommittee and the mediation subcommittee. However, these committees were abolished when the university's faculty senate was set aside in April 1997.

The procedures for "all other grievances" may not offer an independent review. For these grievances, the president appoints all members of an ad hoc grievance committee, and the president's decision is final.

We reviewed the outcome of the eight faculty grievances that were resolved during the period from April 1996 through April 1998. We did not review the merits of individual cases. In three cases the committee considering the grievance recommended in favor of the faculty member, in three cases in favor of the administration, and in two cases the committees did not determine the merits of the grievance, but suggested that the matters be resolved administratively. In all eight cases, the president decided against the faculty member's grievance. In two of these cases, handled according to a previous policy that allowed appeal to the board of trustees, the board considered an appeal and upheld the president's decision.

### **Recommendation**

4. Francis Marion University should revise and update its faculty grievance policy to ensure that its provisions can be implemented. Also, the university should ensure that grievance policies provide an independent review of faculty grievances.

### **Faculty Qualifications**

Francis Marion employed three part-time faculty during the 1997-98 academic year who did not meet the university's criteria for teaching courses.

We examined the qualifications of a nonrandom sample of 29 employees identified by the university as part-time faculty. Our purpose was to determine if they had the required credentials. FMU policy requires that faculty teaching undergraduate courses should have a minimum of a master's degree with 18 graduate credit hours in the discipline taught. An individual who holds a master's degree and has had "special experiences" in his career, but lacks 18 graduate credit hours in the relevant discipline, may also be considered for employment.

Three part-time mathematics faculty had master's degrees, but lacked 18 graduate credit hours in mathematics. Their personnel files contained no documentation of special experiences. FMU acknowledged their lack of qualifications, but allowed them to teach mathematics courses. However, an FMU official informed us that these instructors will not be retained upon the completion of the spring 1998 semester.

We also reviewed the files of six FMU faculty members who are not United States citizens for documentation that allows for their legal employment. We found no evidence that these individuals were ineligible for employment at the university.

### **Recommendation**

5. Francis Marion University should consistently comply with its policy regarding academic credentials when hiring faculty.



## **CHAPTER 3**

### **INSTITUTIONAL ISSUES**

#### **Declining Enrollment**

Student enrollment has declined at Francis Marion in recent years. Total enrollment peaked in fall 1993 at 3,443. As shown in Table 3.1, from fall 1993 to fall 1997, total enrollment declined 16% to 2,886. Undergraduate enrollment declined 18% while graduate student enrollment increased 13%. Also, during this period there was an 18% decline in applications from prospective freshmen to the university.

**Table 3.1**  
**FMU Enrollment<sup>1</sup>**

<b>Fall</b>	<b>Undergraduate</b>	<b>Graduate</b>	<b>Total</b>
1993	3,294	149	3,443
1994	3,161	127	3,288
1995	3,054	147	3,201
1996	2,907	170	3,077
1997	2,717	169	2,886

- 1 Enrollment data represent full-time equivalent (FTE) students. For example, one FTE equals 15 undergraduate credit hours or 12 graduate credit hours.

Source: Francis Marion University.

University officials view this trend as a problem. Below we address factors that may be associated with declining enrollment as well as the effects of the decline.

#### **Potential Causes**

It is difficult to determine the factors that cause enrollment to decline. However, we have identified several factors that may be associated with FMU's declining enrollment from fall 1993 to fall 1997.

##### **Easier Transfer from Technical Colleges**

In recent years, the General Assembly and the Commission on Higher Education (CHE) have taken steps to make it easier for students of two-year public technical colleges to transfer to four-year public colleges. In 1992, the technical colleges started using a semester system instead of a quarter system, in order to match the system used by public four-year colleges. In 1995 and 1996, the CHE increased the number of courses that four-year public colleges are required to accept for credit when technical college students transfer. Both of these changes, along with the lower prices that technical colleges charge, may increase the likelihood that first- and second-year college students attend technical colleges instead of four-year colleges.

##### **Repeated Vacancies in the FMU Admissions Office**

Francis Marion did not have a full-time admissions director during 18 of the months from July 1, 1995, through February 16, 1998. During this period, the university conducted two searches to replace admissions directors who had resigned. Without consistent leadership, it may be more difficult to operate an effective program for recruiting students.

FMU hired a new admissions director in February 1998. In addition, the university was in the process of hiring an assistant admissions director, a new position with duties that include supervision of student recruitment.

## Conflict Between the Administration and Faculty

There has been significant disagreement and conflict between the university administration and members of the faculty following the hiring of the current president in July 1994. News of the disagreement has been communicated to the public through the media. Open conflict between university employees may have a negative effect on applications.

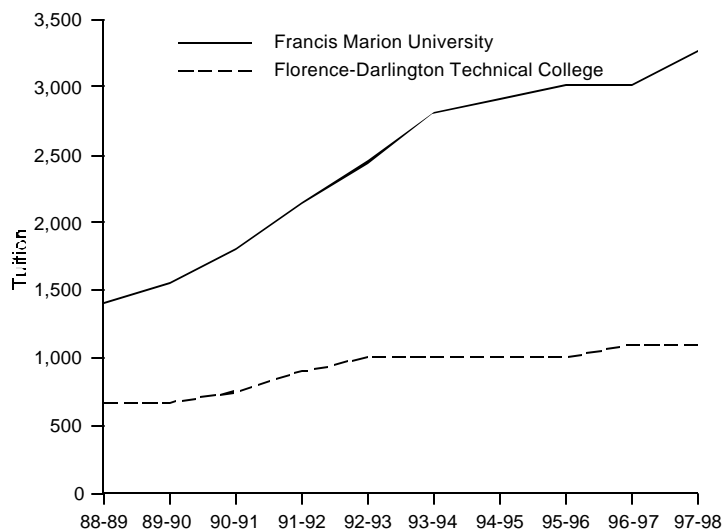
## Rising Tuition

Although Francis Marion's tuition (including other required fees) has increased significantly over the last ten years, it is not clear that tuition has been a factor in the decline in enrollment since academic year 1993-94. According to data from the CHE, from 1988-89 to 1993-94, FMU's in-state tuition increased 100%, from \$1,400 to \$2,800. From 1993-94 to 1997-98, the university raised tuition 17% to \$3,270, reflecting a much slower rate of increase.

However, FMU's tuition has historically been lower than many other four-year state institutions'. In 1988-89, its tuition was the least expensive among South Carolina's twelve four-year public institutions. In 1993-94 and in 1997-98, Francis Marion's tuition ranked seventh.

When compared with tuition at the state's two-year technical colleges, FMU's prices do not fare as well. In each of the last ten years, FMU's tuition has been higher than tuition at the technical schools. For example, as shown on Graph 3.1, in 1988-89, tuition at FMU was \$725 higher than in-county tuition at Florence-Darlington Technical College, which, like FMU, is in Florence. In 1993-94, the differential had risen to \$1,800 and in 1997-98 the differential had risen to \$2,170.

**Graph 3.1**  
**Difference Between Tuition at Francis Marion University and**  
**Florence-Darlington Technical College**  
**1988-89 through 1997-98**



Source: Commission on Higher Education and State Board for Technical and Comprehensive Education.

## Unrelated Factors

We identified two factors that are not related to FMU's declining enrollment.

- There has been no significant change in the percentage of accepted applicants who decide to enroll in the university. The percentage of accepted applicants who enrolled was 49.5% for the fall 1993 freshman class and 51.5% for the fall 1997 freshman class.
- There has been no significant change in the percentage of students who return to the university after their freshman year. The percentage of prior year freshmen who returned in fall 1993 was 63% while the percentage of prior year freshmen who returned in fall 1997 was 63%.

It is important to note that, although these two factors did not contribute to FMU's declining enrollment during the period of our review, a successful effort to change these factors could increase enrollment.

### **Financial Impact on FMU**

Although Francis Marion raised tuition and fees 17% from 1993-94 to 1996-97, revenues from tuition and fees increased only 5% because enrollment had declined. Revenues from all sources combined increased 10%. From FY 96-97 to FY 97-98, FMU officials are projecting a 6.5% decrease in revenues from tuition and fees.

Despite the decline in enrollment, the number of FMU employees has remained stable. For example, there were 389 full-time equivalent employees (FTEs) in June 1993 and 394 FTEs in December 1997. In the long run, if lower enrollment levels continue, Francis Marion may have to make permanent reductions in its staffing levels.

University officials report that, in response to declining tuition and fee revenues, they have deferred needed maintenance of the campus. At the time of our review, budgeted expenditures for FMU's physical plant in FY 97-98 were 36% (\$1.3 million) lower than physical plant expenditures in FY 96-97.

In addition, university officials report that the buildings on FMU's campus are designed for a capacity of approximately 5,000 students. Per student overhead costs could be reduced by reversing the decline in enrollment.

### **Higher Enrollment At Other Institutions**

Although enrollment at FMU declined 16% from fall 1993 to fall 1997, statewide enrollment at the state's other public four-year universities increased an average of 1%. Statewide enrollment at two-year technical colleges increased an average of 8%. Enrollment at Florence-Darlington Technical College increased 20%.

The five counties that provide the largest number of FMU's students are Chesterfield, Darlington, Dillon, Florence, and Marion. Data from the CHE indicate that, from fall 1993 to fall 1997, FMU's share of public undergraduate students from these counties decreased five percentage points, from 25% to 20%\*. (\*Based on student "headcount" data, in which each student is counted once independent of the number of courses taken.)

## Conclusion

It is not clear whether lower enrollment at Francis Marion is detrimental to the state. There has not been a decline in the number of students attending college statewide or in FMU's region of the state. In addition, when students attend technical college instead of FMU for their first two years, both the students and the state benefit from lower costs. It is important to note that non-financial factors, which we did not consider, may be important when comparing institutions.

### **Francis Marion and Performance Funding**

In 1996, the General Assembly enacted Act 359 that requires the Commission on Higher Education (CHE) to develop a formula for funding public colleges and universities based on their performance. The CHE is required to implement this system fully by FY 1999-2000.

Section 59-103-30(A) of the South Carolina Code of Laws lists nine “. . . critical success factors, in priority order, for academic quality . . .”:

- 1 Mission Focus.
- 2 Quality of Faculty.
- 3 Classroom Quality.
- 4 Institutional Cooperation and Collaboration.
- 5 Administrative Efficiency.
- 6 Entrance Requirements.
- 7 Graduates? Achievements.
- 8 User-friendliness of the Institution.
- 9 Research Funding.

Subsection (B) states “. . . whether or not an institution embodies these critical success factors can be measured by [37] performance indicators . . . .” The indicators address areas such as SAT/ACT scores, accreditation of academic programs, and post-tenure review of faculty. (See Appendix B for a complete list.)

The CHE is required to use the performance indicators to evaluate each college and university in relation to others with similar missions. S.C. Code Section 59-103-15(B) identifies four categories of institutions: research institutions, four-year colleges and universities, two-year branches of the University of South Carolina, and technical colleges. As shown in Table 3.2, Francis Marion is in the four-year college and university category.

**Table 3.2**  
**Institutions of Higher Education in Francis Marion's Category**

<b>Four-Year Colleges and Universities</b>
The Citadel
Coastal Carolina University
College of Charleston
Francis Marion University
Lander University
South Carolina State University
USC - Aiken
USC - Spartanburg
Winthrop University

Below we briefly describe the performance funding process and its effect on Francis Marion.

## **Funding Process**

Under the new funding process, an institution's performance is one of several factors used to determine its CHE funding allocation.

Annually, the CHE calculates the "mission resource requirement" of each institution, which is an estimate of the level of funding needed to perform its mission. This calculation is based on average costs incurred by other colleges and universities in the region and nationwide. The mission resource requirement also takes into account the South Carolina institution's projected revenues from tuition and fees. The CHE then allocates funds to each institution based on its mission resource requirement adjusted for its performance score from the prior year.

An institution's performance score is determined by the CHE, based on the degree to which the institution meets benchmarks or goals for the performance indicators in state law. The CHE establishes benchmarks for each of the four categories of institutions. In addition, each institution has its own benchmarks which have been approved by the CHE.

## **Phase-In**

The CHE is phasing-in the performance funding process. In FY 97-98, approximately \$4.6 million in statewide higher education funding was allocated through the performance funding process, based on 14 indicators. In FY 98-99, approximately \$265 million is being allocated through this process, based on 22 indicators. CHE officials project that, in FY 1999-2000, approximately \$700 million will be allocated through this process, based on all 37 indicators.

CHE officials note that the system is new and that it will be modified and adjusted over time.

## **Shortcomings in the Process**

There are shortcomings in the performance funding process, including:

*Administrative Costs* - When performance funding is fully implemented, institutions will be asked to meet the objectives of 37 performance indicators simultaneously. Coordinating efforts to meet these objectives and measure performance may cause institutions to incur additional administrative costs. Under performance based funding, however, institutions with high administrative costs will have their funding reduced.

*Unweighted Performance Indicators* - Although Section 59-103-30 lists critical success factors "in priority order," the performance indicators have equal influence on funding allocations.

*Performance Partially Outside Control of the Institutions* - For example, one performance indicator awards increased funding for admitting students with high SAT scores. However, certain areas of the state tend to have students with low SAT scores. Therefore, an institution that seeks to draw students primarily from its local area may have its funding reduced even if its ability to recruit good students is not below average.

*Performance That is Difficult to Measure* - It is difficult to develop reliable ways to measure achievement for some performance indicators, such as “employer feedback on graduates who are employed or not employed” and “post-secondary, non-academic achievement of student body.”

### **Unaudited Data**

To date, performance funding has been based on self-reported data from the institutions. The CHE has not audited this information. As a result, it may have inaccuracies or inconsistencies. CHE officials report that they have requested additional funding for an auditor. Regular auditing would increase the likelihood that institutions will submit accurate data in a consistent manner.

### **Francis Marion’s Performance**

For FY 97-98 funding, Francis Marion’s performance score ranked sixth among the nine institutions in its category. The institutions with higher scores were the College of Charleston, USC-Spartanburg, Winthrop University, USC-Aiken, and South Carolina State University. On specific performance indicators, Francis Marion was above the median in compensation of faculty and the amount of grants received. It was below the median in SAT scores and the passing rate of graduates on certification exams.

Francis Marion has made changes in its operations to meet the objectives of the performance indicators. For example:

- The university has increased its admissions standards for students who will be admitted in fall 1999.
- The university has obtained CHE-recognized accreditation for its business, theater, and art programs. It has initiated accreditation review of its computer science, teacher education, and accounting programs.
- The university has instituted a system of post-tenure review of faculty.

### **Recommendation**

6. The Commission on Higher Education should implement a system for verifying the accuracy and consistency of data reported to it by institutions of higher education.

### **Need for Further Study**

The future success of South Carolina’s performance funding process is uncertain, in large part, due to its complexity. In addition, the role of politics in its operation is unclear. After the system is fully implemented, a statewide review by the Legislative Audit Council could be useful in assessing the process.

### **Accreditation**

The objectives of Francis Marion include university-wide accreditation from the Southern Association of Colleges and Schools (SACS) as well as program accreditation from various accrediting organizations. Below we summarize FMU’s progress in this area.

Accrediting organizations determine whether universities and their programs meet certain standards in areas such as faculty qualifications, curriculum, library resources, and campus facilities. The benefits of accreditation can include greater university focus on improving operations and increased national recognition. Also, state law now bases funding, in part, on the degree to which a university has obtained accreditation of its programs.

In December 1997, SACS renewed Francis Marion's university-wide accreditation. FMU also has obtained accreditation for three of seven academic programs identified as accreditable by the South Carolina Commission on Higher Education. In 1995, FMU obtained accreditation for its business program. In 1997, it obtained accreditation for its art and theater programs. The university has not yet obtained accreditation for its accounting, computer science, medical technology, and teacher education programs. It has begun the process of seeking accreditation for its computer science, teacher education, and accounting programs.

University officials report that there are costs associated with program accreditation. These costs can include accrediting fees, consultants, new faculty, curriculum revisions, and new equipment. In addition, increased costs can result from reductions in faculty teaching loads. Neither the university nor the Commission on Higher Education, however, was able to provide us with estimates of the total costs of accreditation. In some instances, it may be difficult to determine which changes are attributable solely to accreditation requirements.

## **CHAPTER 4**

### **FINANCIAL ISSUES**

#### **Renovations to the President's Home**

We reviewed renovations to the FMU president's home to determine whether the costs incurred were reasonable. When the current president came in 1994, the board of trustees wanted the president's home to be used for entertaining. Also, according to Francis Marion officials, no maintenance, such as painting, had been performed on the house since 1983. In FY 94-95, the university undertook renovations that centered on improving the home's kitchen and master bathroom. The renovations also included ceiling work, painting, wallpapering, and window treatments throughout the 6,360 square foot house.

There were problems in the university's planning and accounting for the renovation project. Also, the university purchased items that were not cost-effective. Finally, a recent procurement audit of FMU identified procurement errors that occurred during the project.

#### **Planning and Accounting**

The university did not have a budget that itemized the renovations planned and their expected costs. We identified \$235,439 in expenditures, excluding university labor. According to the FMU senior vice president for administration and finance, at some point he determined that no more funds were available and then no more renovations were made.

The university could not determine the total cost of the renovations because at the time they did not account for the labor performed by university employees. According to an FMU official, university employees were heavily involved in such tasks as painting, carpentry, and electrical work. The official stated that the university now accounts for the time spent by university employees for maintenance projects. Additionally, because expenditures were dispersed through a number of university accounts, we cannot be sure that total expenditures for materials and contracted labor were identified.

#### **Excessive Costs**

Several items purchased for the president's home were not cost-effective (see Table 4.1). The university spent approximately \$100,000 overall to remodel the kitchen. We question the expense of the kitchen cabinets, flooring, counter tops and sinks, and the rugs purchased for the den. For each of these items, the university could have purchased comparable alternates that would have been more cost-effective. Cost was not a primary consideration in making individual purchasing decisions.

**Table 4.1**  
**Excessive Costs in Home Renovation**

<b>Item Purchased</b>	<b>Cost</b>
Cherry Wood Kitchen Cabinets	\$51,669
Heart Pine Kitchen Flooring (Excluding Labor)	\$10,000
Corian Counter Tops and Sinks	\$7,859
Persian Rugs	\$9,540



## **Procurement Errors**

A recent procurement audit conducted by the Budget and Control Board office of general services cited procurement errors made by the university. For example:

- Francis Marion did not classify the presidential home renovations as a permanent improvement project. Renovations of existing facilities in which the total cost is \$100,000 or more are defined as permanent improvement projects. Permanent improvement projects for colleges and universities must be approved by the Commission on Higher Education, the Joint Bond Review Committee, and the Budget and Control Board. Francis Marion did not submit the project for approval to these agencies.
- The university did not competitively procure many goods and services for the project. For example, \$75,961 in construction contracts were issued to one contractor without competition. The university did not competitively procure items purchased with discretionary funds, though construction and architect-engineer services should have been acquired through competition.

The university acknowledged these procurement errors and stated they would review guidelines to reduce the possibility of reoccurrence.

## **Conclusion**

When renovation projects are not adequately planned, and items purchased are not cost-effective, overspending may occur in certain areas of the project, while areas in need of renovations may be overlooked. For example, a university official identified needed renovations to the porch attached to the house that have not been completed. Also, in response to declining tuition and fee revenues, the university has deferred needed maintenance throughout the campus.

## **Recommendation**

7. Francis Marion University should carefully plan and budget for renovation projects. The university should purchase cost-effective items and comply with all applicable procurement laws and regulations.

## **Public Funds Used for Meals, Receptions, and Entertainment**

In recent audits, we found that South Carolina State University and Winthrop University may have violated state law by improperly spending public funds on meals, receptions, and entertainment. FMU has made similar expenditures.

We reviewed FMU expenditures made with auxiliary enterprise revenues (bookstore, vending machine, dining services, and telephone service revenues) from July 1995 through December 1997. We also performed a limited review of expenditures from the university's education and general revenues.

## **Legal Requirements for Public Fund Expenditures**

Except in limited circumstances, we found no legal authority for FMU employees or locally-based board members to receive publicly funded meals on-campus or in the Florence area. Using private foundation funds to purchase meals for employees or board members might be appropriate if the foundation board determines it to be a legitimate expense. Below are summaries of the criteria we used to evaluate FMU's expenditures of public funds.

## Attorney General's Opinions

A November 15, 1985, attorney general's opinion states that "public funds are those monies belonging to a government . . . Such funds are not necessarily limited to tax moneys . . . ."

A May 21, 1993, attorney general's opinion addresses the legality of the expenditure of public funds:

. . . every expenditure of public funds must directly promote a public purpose. . . . As related to a university, it might be said that an expenditure would be required to promote the public health, safety, morals, general welfare, etc. of all of the inhabitants of the university, or at least a substantial part thereof.

This opinion cited a May 22, 1989, opinion which stated that public funding of picnics and social events for governing body members and employees of a local government would be "improper." This is a perquisite of office or employment, which is not allowed.

In addition to meeting the direct public purpose test, expenditures of public funds must also be germane or legitimately connected to the mission of the university as noted in attorney general's opinions dated January 21, 1985, and March 17, 1986.

## Appropriations Act Provisos

Appropriations act proviso 72.32 in FY 97-98 and provisos in earlier years allow members of governing boards and agency employees to receive publicly funded meals when traveling on state business. Eligibility for board members is based in part on the distance between the board member's place of residence and the agency's headquarters.

The Budget and Control Board sets per meal limits on the cost of publicly funded meals. According to appropriations act proviso 72.8 in FY 97-98 and provisos in earlier years, there are no limits on the cost of these meals if they are paid for with auxiliary enterprise revenue.

## Exemption

We found one exemption in which public funds can be used for employees who are not traveling. Section 8-11-190 of the South Carolina Code of Laws allows state agencies to expend funds for meals and other items for employee recognition awards.

Below, we address examples of questionable expenditures from two types of public funds - auxiliary enterprise revenue and unrestricted education and general revenue.

## Auxiliary Enterprise Expenditures

Table 4.2 lists examples of expenditures of public funds for meals, receptions, and entertainment which may be illegal.

There were many other instances we reviewed where FMU staff received questionable meals or refreshments that were paid with auxiliary enterprise revenues.

**Table 4.2**  
**Examples of Meals, Receptions, and Entertainment Paid for With Auxiliary Enterprise Revenues**

<b>Event</b>	<b>Date</b>	<b>Cost</b>
Palmetto Forum <sup>1</sup> Lunch	10/11/95	\$732
New Faculty Breakfast Meeting	10/30/95	\$131
Golf Outing for State Legislator and Guest	10/31/95	\$100
Faculty Social	11/3/95	\$207
Teleconference Discussion Group Dinner	11/9/95	\$344
Mayor's Group Dinner and Social	11/16/95	\$246
Employee Christmas Luncheon at Restaurant	12/18/95	\$139
Statewide College Budget Officers Luncheon	2/9/96	\$222
Palmetto Forum Lunch	2/19/96	\$694
Staff Retreat Dinner	3/20/96	\$210
Palmetto Forum Lunch	3/29/96	\$610
Palmetto Forum Lunch	5/2/96	\$638
Palmetto Forum Lunch	12/6/96	\$1,369
Dinner for Social Fraternity	1/30/97	\$869
Faculty Buffet Dinner	2/21/97	\$1,238
Palmetto Forum Lunch	2/27/97	\$854
Faculty Buffet Dinner	4/4/97	\$952
Palmetto Forum Lunch	4/10/97	\$976
Faculty Buffet Dinner	4/11/97	\$1,263
Refreshments for Personnel Benefits Seminar	4/29/97	\$265
Staff Picnic Lunch	5/29/97	\$3,048
Continental Breakfast for President's Speech	8/27/97	\$523
Tea for New Women Faculty/Staff/Spouses	9/11/97	\$633
Lunch for School of Education & Public School Teachers	10/17/97	\$381
Coffee and related supplies for Administration & Finance	Various	\$949
Breakfast and Lunch Meetings for Vice Presidents	Various	\$294

1 An FMU program presenting issues relevant to faculty and staff.  
Source: Francis Marion University.

## Education and General Expenditures

As stated earlier, public funds generally may not be used to provide meals on campus or in the Florence area for FMU employees or locally-based board members. In addition, education and general funds are subject to per meal cost limits which, during the period of our review, were \$4 for breakfast, \$6 for lunch, and \$10 for dinner. Examples of questionable expenditures are listed below:

- January 22, 1997 - A board of trustees reception and dinner for 32 people had an average cost of \$63.79 per person and a total cost of \$2,041. This amount included flowers that cost \$127.
- January 23, 1997 - A board of trustees lunch for 32 people averaged \$19.36 per person and cost \$620. This amount included flowers that cost \$196.
- April 16, 1997 - A board of trustees dinner for 30 people had an average cost of \$32.61 per person and cost \$978.
- April 17, 1997 - A board of trustees lunch for 22 people averaged \$13.73 per person and cost \$302.

While we found no guest lists for these meals, some locally-based board members and state employees are likely to have attended these events.

### Recommendation

8. Francis Marion University should ensure that auxiliary enterprise revenues and other public funds are spent in compliance with state law. University officials should rely on guidance provided by the attorney general.

### Private Organization Affiliated With the University

The Francis Marion University Foundation is a private nonprofit organization incorporated in South Carolina. Its primary mission is to provide financial assistance to Francis Marion University and its educational programs.

On June 30, 1997, the foundation reported net assets of \$7,019,698. In FY 96-97, the foundation reported "total revenues, gains, and other support" of \$1,785,036 and expenditures of \$497,563.

**Table 4.3**  
**Francis Marion University Foundation Schedule of Expenditures**  
**FY 96-97**

Category	Amount
Educational Programs	\$ 392,307
General and Administrative	\$ 105,256
<b>TOTAL</b>	<b>\$ 497,563</b>

Source: Francis Marion University Foundation.

Expenditures for educational programs include scholarships, grants to FMU, and endowment of faculty chairs. General and administrative expenditures include financial institution charges for asset management and reimbursement to FMU for the use of university personnel. The university's office of advancement conducts fund-raising for both FMU and the foundation. FMU's senior vice president for advancement serves as the executive director of the foundation. In FY 96-97, the office of advancement had expenditures, including fringe benefits, of approximately \$152,000.

We reviewed the relationship between FMU and the foundation, specifically the method by which they share fund-raising costs, and the use of university personnel by the foundation. We did not review individual foundation expenditures to determine if they directly assisted in the foundation's accomplishment of its mission.

### **Public Subsidy of the Foundation**

FMU bills the foundation for costs associated with raising funds for the university such as expenses for personnel, photocopying, and office supplies. In FY 96-97, the foundation reimbursed FMU \$18,463. However, not all services provided to the foundation by FMU are reimbursed. Below are examples of expenditures to support the foundation for which FMU has not obtained reimbursement.

- FMU uses its office space to support the foundation. This space includes portions of the office of advancement and the internal auditor's office.
- FMU does not charge the foundation for use of its administrative computing system. The foundation uses the mainframe computer to store its accounting records.

By not obtaining reimbursement for all costs from the foundation, FMU has given public funds and other resources to the foundation. An April 26, 1983, attorney general's opinion found that there exists "... no constitutional or statutory power for a state agency to give public funds to a private foundation or any corporation or individual except in payment for goods and services."

Following our review, FMU officials reported they have obtained reimbursement from the foundation for office space and computer use for FY 96-97.

### **Potential Conflict of Interest**

FMU's internal auditor provides accounting services for the foundation. According to the official position description, 20% of the internal auditor's time is spent providing "management guidance and liaison services with the FMU Foundation and other entities." However, the internal auditor may sometimes be required to evaluate the FMU office of advancement, which works closely with the foundation in raising funds.

Audit standards require internal auditors to be independent of the activities they audit. Auditors have a conflict of interest when they are asked to audit activities they are involved in managing.

### **Recommendations**

9. Francis Marion University should obtain full reimbursement for all goods and services provided to the foundation.
10. Francis Marion University should not allow its internal auditor to work for the foundation.

## **Control of Assets**

Francis Marion could improve its system of accounting for equipment that is susceptible to theft.

Equipment and furniture above a certain cost are included as “assets” in the university’s annual financial statement. Until July 1996, FMU’s asset total included all equipment and furniture that had a purchase price greater than \$500. FMU’s purchasing office was responsible for maintaining a central list indicating the FMU inventory number, serial number, and location on campus for each item. According to an FMU official, throughout the fiscal year the purchasing office would review samples of these items to determine whether they could be located.

The cost at which items must be identified as assets is \$1,000 for most state agencies. However, in 1996 the comptroller general’s office allowed colleges and universities to increase the cost to \$5,000 because of a change in federal guidelines. In July 1996, the university changed its policy so that only items with an initial cost of \$5,000 or greater would be identified as assets. As a result, there were significantly fewer items identified as assets. In July 1996, FMU identified as assets equipment and furniture that cost \$7.8 million, but by February 1998, this figure was \$2.8 million.

We attempted to locate 49 items of equipment with a total cost of over \$140,000. Forty-four of these items, including personal computers, office equipment, and laboratory equipment, cost less than \$5,000 and were not on the current inventory list. We were able to locate all but two items, with a total cost of \$4,136.

Although we located most of the items in our sample, FMU’s system could nonetheless make some assets more susceptible to theft. For example, the university has no central system for keeping track of items such as personal computers, televisions, laser printers, fax machines, and laboratory equipment. Certain administrative and academic units on campus have developed systems for tracking computers and related equipment. However, without central management, this system may not be adequate.

One way to safeguard the university’s equipment would be to lower its fixed asset threshold to incorporate more items. This action could increase the administrative cost of developing financial statements. Alternatively, the university could maintain and monitor a central list of items susceptible to theft, independent of its items cataloged as assets.

## **Recommendation**

11. Francis Marion University should develop a central system to account for equipment that is susceptible to theft.

**CHAPTER 5**  
**ACADEMIC ISSUES**

**Scholarships**

Francis Marion University awarded scholarships for the 1997-98 academic year to freshmen students who did not meet the criteria for receiving the scholarships. Sixty-two (59%) of the 105 recipients did not meet the scholarship criteria. Although the criteria allow the university to make reasonable exceptions to the scholarship requirements, FMU did not document the reasons for awarding scholarships to students who did not meet the criteria.

In an August 1996 directive to the admissions director, Francis Marion's president presented guidelines for three types of academic scholarships awarded to incoming freshmen - presidential scholarships, Francis Marion scholarships, and academic excellence scholarships. The president stated that the admissions office could make "reasonable exceptions to the recommended criteria" with his approval.

**Table 5.1**  
**1997-98 Francis Marion University Scholarship Criteria**

<b>Scholarship</b>	<b>Criteria</b>
Presidential Scholarship	SAT 1300 and rank in the top 10% of High School Class
Francis Marion Scholar	SAT 1150 and rank in the top 10% of High School Class or SAT 1100 and rank 1st or 2nd in High School Class
Academic Excellence Scholarship	SAT 1100 and rank in the top 10% of High School Class

Source: Francis Marion University.

Three presidential, 16 Francis Marion scholar, and 86 academic excellence scholarships were awarded. All three presidential scholarship recipients met the scholarship criteria. Two of the 16 Francis Marion scholar recipients did not meet the scholarship criteria. Both of the students did not meet the high school class rank requirement, but the deviations from this requirement were not significant.

Sixty (69%) of the 86 academic excellence scholarship recipients did not meet the scholarship criteria:

- Thirty-nine of these 60 students had SAT scores that were below the 1100 minimum score. These scores ranged from 800 to 1090, and five students had scores under 1000.
- Forty students did not meet the high school class rank percentage criterion. Three students were not in the top third of their class, and one of these was not in the top half.
- Nineteen students did not meet either of the academic excellence scholarship criteria.

According to an FMU official, they attempt to recognize the most academically talented students who apply to FMU, and they make reasonable exceptions to the academic criteria. However, there was no documentation in the students' files to indicate why the scholarships were awarded. Also, when the stated criteria are different than the actual criteria used, there is a greater chance that awards will be made arbitrarily or inconsistently.

### **Scholarship Renewal Awards**

The academic scholarships awarded to freshmen can be renewed for subsequent years. According to an FMU official, a student must maintain a minimum 3.0 grade point average in order for any of the three scholarships to be renewed.

We reviewed the records of students whose presidential, Francis Marion, and academic excellence awards were renewed for the 1997-98 academic year. We found that Francis Marion substantially complied with the grade point criterion in renewing these scholarship awards.

### **Recommendations**

12. Francis Marion University should re-evaluate the criteria for its academic excellence scholarships to determine whether they are in accord with the university's practice.
13. Francis Marion University should document the reasons for awarding scholarships to students who do not meet the scholarship criteria.

### **Admissions**

One of the objectives of our review was to determine whether Francis Marion has complied with its admission standards. We reviewed the students admitted for fall 1997, and obtained the guidance of the interim director of admissions and the vice president for academic services and student development in verifying the criteria and procedures used to admit students.

After reviewing the results of our review, the vice president we had previously consulted said that he may have been in error in verifying the criteria we used, and different (lower) criteria applied to the students. However, there were discrepancies in his account of FMU's admission procedures compared to information Francis Marion furnished to the CHE, and information we obtained in our review of student files. As noted on page 16, Francis Marion did not have a full-time admissions director during much of the period from July 1995 through February 1998. Two staff in charge of admitting students for the fall 1997 class are no longer employed at Francis Marion. Therefore, we could not satisfactorily determine whether Francis Marion complied with its admission standards for the 1997-98 year.

### **Nonresident Fee Waivers**

More than 70% of Francis Marion out-of-state (nonresident) freshmen did not pay out-of-state fees during academic year 1997-98. The university has a broad policy allowing out-of-state fees to be waived for nonresident students who receive scholarship aid. According to Francis Marion officials, if a nonresident student receives at least a \$25 scholarship per semester, this student receives a nonresident fee waiver and is classified as a resident for funding purposes.

Forty-eight (72%) of the 66 fall 1997 nonresident freshmen received scholarships that qualified them for fee waivers. The students receiving waivers were classified as residents for funding purposes. As a result of the fee waivers, Francis Marion received less tuition revenue. Students who received nonresident fee waivers in 1997-98 paid \$3,270 per year rather than \$6,450. However, FMU's loss was virtually offset by the additional state funds the university received because the students were classified as residents. The state paid \$4,390 each for full-time students classified as residents during the 1997-98 academic year. However, the state paid only \$1,372 each for students classified as nonresidents, a difference of \$3,018.



## **State Law and CHE Guidelines**

State law authorizes Francis Marion's board of trustees to adopt a policy for waiving the out-of-state fees for students who are recipients of scholarship aid. South Carolina Code Section 59-112-70 states, in part, ". . . the governing boards . . . are authorized to adopt policies for the abatement of any part or all of the out-of-state rates for students who are recipients of scholarship aid." In 1971 the board of trustees adopted a policy which allows the university to abate the non-resident fees for recipients of scholarship aid "when this course of action seems justified." Francis Marion has complied with the statutory provision.

However, the practice of waiving fees for students receiving scholarships as small as \$25 may violate the intent of the General Assembly in allowing fees to be waived for scholarship recipients. We asked the attorney general's office to comment on S.C. Code Section 59-112-70. In an informal opinion dated March 19, 1998, the attorney general's office stated:

We would emphasize...that there are numerous ambiguities contained in Section 59-112-10 et seq. and that the General Assembly may wish to clarify the statute. Simply put, the statute needs further delineation of what constitutes 'scholarship aid.'

The Commission on Higher Education (CHE) has guidelines for defining "scholarship aid" relating to funding for graduate students. The guidelines state that nonresident students should receive academic scholarships of \$250 or more per semester to be counted as residents for funding purposes. In June 1998, the CHE formally extended this guideline to undergraduate students. Beginning in fall 2000, the CHE will count as residents only those nonresident undergraduate students who receive academic scholarships of \$250 or more per semester. If the CHE guidelines had been in place for the 1997-98 year, Francis Marion would not have received additional state funding for 29 (60%) of its 48 nonresident freshmen who received fee waivers and were counted as residents for funding purposes.

## **No Consistency in Fee Waiver Policies**

We contacted five other state-supported universities to determine what type and amount of scholarships their nonresident students must receive in order to qualify for fee waivers. As shown in Table 5.2, their policies varied widely.

**Table 5.2**  
**Type and Amount of Scholarships Eligible for Nonresident Fee Waivers**

<b>Institution</b>	<b>Types of Qualifying Scholarships</b>	<b>Minimum Amount of Scholarship per Semester</b>
Francis Marion University	Academic, Athletic, and Discretionary	\$25
Lander University	Academic, Athletic, Music, and Discretionary	\$50
Coastal Carolina University	Academic	\$250
Winthrop University	Institutional (includes Athletic, Academic, and Foundation)	\$50
Clemson University	Academic	\$125
University of South Carolina	Academic	\$250

Source: State institutions listed.

When state laws do not specifically address scholarship criteria for fee waivers, there is a lack of consistency in classifying students. Also, when “token” scholarships are used to qualify students for fee reductions, the intent of the General Assembly may not be followed.

### **Recommendation**

14. The General Assembly may wish to consider amending Section 59-112-70 to provide criteria for scholarship aid that non-resident students must receive in order to qualify for fee waivers. In addition, the General Assembly may wish to establish criteria by which students are classified as residents for funding purposes.

### **Changes in Academic Programs and Processes**

We reviewed evidence to determine whether the FMU administration has sufficiently planned for changes in academic programs and processes. Ninety-six (72%) of the faculty members who responded to our survey agreed that the administration does not adequately plan changes in its policies and programs.

We found that the administration has implemented changes more quickly than established norms. For example, according to FMU computer staff, they were given six weeks to implement a computerized registration system, a process that should take six months. Also, the university decided in June 1997 to implement a required three-hour freshman seminar within two months. According to an official with the University of South Carolina National Resource Center for the Freshman Year Experience, it is desirable to have a minimum of a year to plan for such a program.

Officials should carefully plan the implementation of new programs and processes to ensure that timing is optimal to the functioning of the university. There is some evidence that the quick implementation of the freshman seminar had negative effects. Because the course was implemented so quickly, textbooks were not available and some teachers did not receive training because they were assigned after training had been completed. Other courses and programs that had been previously planned were adversely affected because students could no longer fit them in their schedules. However, this evidence is difficult to quantify or weigh in comparison with any benefits of the new course.

FMU's comprehensive achievement program (CAP) and an expanded night class schedule were also implemented quickly. We have recommendations relating to these areas, as discussed below.

### **Comprehensive Achievement Program (CAP)**

The comprehensive achievement program (CAP), which began in fall 1996, is intended to offer support services to Francis Marion freshmen admitted with grades or SAT scores that are "borderline." These students are admitted to FMU contingent on their participation in the CAP program. We identified problems with FMU's implementation of the CAP program.

*Student progress* - The CAP brochure set out criteria for completion of the program, including completion of 16 hours of courses with a C average and attendance at cultural events. However, FMU did not determine whether students complied with program requirements, and students were not informed when they had completed the program.

*Program elements* - The program was intended to provide a living and learning environment, where students would have all their classes together, and teachers would coordinate assignments, but, due to scheduling problems, this was not implemented.

*Program communications* - The 1996 brochure describing the program contained errors. For example, the brochure stated that a course in oral communications could be used to meet the university's general education requirement, when this was not the case. Officials planned to revise the brochure, and the FMU response to its SACS accreditation team stated that the brochure was revised. However, when the brochure was given to students in fall 1997, it had not been revised and had more errors than it had previously. For example, the previous director of retention was still listed as the program contact. The freshman seminar has been changed to a three-hour required course, but was still listed in the brochure as a one-hour elective course. Also, the brochure stated that students must sign a letter of intent before they could register for classes, but the 1997 students were not asked to sign letters.

*Program evaluation* - The university reported to the SACS accreditation team that the students in the CAP program had higher GPAs at the end of the semester than students with the same SAT range who were not in the program. However, officials could not furnish documentation to support this claim.

When a program does not operate as it is planned, and official communications about the program are inaccurate, students and others may be misled. According to the vice president for academic services and student development, the university plans to revise the CAP program.

### **Recommendation**

15. Francis Marion University should ensure that all elements of the CAP program are carefully planned and evaluated. Printed program information and communications should be accurate and complete. The university should monitor participants' progress in the CAP program.

## Night Classes

Francis Marion University did not adequately plan revisions in its night class offerings. In October 1995, Francis Marion's president directed that the university revise its schedule for the next semester to offer more night classes, with a goal of offering 25% of classes at night. The change was to be implemented immediately, although the class schedule for the spring semester had already been published, and there was insufficient time to publish and distribute a new schedule to students. As a result, students did not have copies of the revised schedule prior to preregistration. Confusion in the registration process resulted. Students stated they were uncertain about whether they could get the classes they needed, and some had to change their academic career plans.

According to officials, the schedule changes were made in response to complaints that students who could only attend at night could not obtain degrees at Francis Marion. FMU did not conduct a marketing study or other formal analysis. According to an official, the immediate implementation of the president's directive was mandated because "at least some attempt [to change] was urgent."

In contrast, the annual schedule published by Francis Marion told students that "... by offering this information on an annual basis, you will be able to plan your schedule better and plan appropriate classes needed to meet your graduation requirements." The schedule also stated that "changes in class offerings will be announced in a timely fashion." We could not determine any advantage for FMU in implementing significant schedule changes in a precipitous manner.

### Evaluation of Night Classes

We reviewed the number of Francis Marion's night classes and their enrollment for spring 1996 through fall 1997. The number of night classes has never approached 25%, and has been relatively consistent throughout the period.

**Table 5.3**  
**Number and Percent of Night Classes**

	Number of Night Classes	% Night Classes
Spring 1996	114	16.8%
Fall 1996	107	15.7%
Spring 1997	121	18.5%
Fall 1997	103	15.7%

Source: Francis Marion University printouts showing registration for each course. Laboratory sections were not counted as additional courses.

Some programs, such as education and psychology, have many night offerings and courses that are offered only at night. Many of these courses are graduate courses. Other departments offer fewer courses at night. In fall 1997 there were no chemistry, physics, physical education, mass communication, or freshman seminar courses offered at night. We reviewed the registration in courses that were offered both during the day and at night for spring 1996 through fall 1997. The night sections consistently have lower registration than the average registration of sections offered during the day. In some cases, day sections have overloads (more than full) while night sections have available seats.

**Table 5.4**  
**Average Enrollment of Courses Offered Both During the Day and at Night**

	Average Night Enrollment	Average Day Enrollment
Spring 1996	14	26
Fall 1996	17	26
Spring 1997	13	23
Fall 1997 <sup>1</sup>	17	26

- 1 In all semesters we compared registration in courses with the same number of seats available. In fall 1997 there were only 11 classes offered with the same number of seats in both the day and night sections, so averages for this semester are based on a limited number of courses.

Francis Marion officials stated they have not conducted formal analysis of the registration or cost-effectiveness of the night class offerings. An official stated they offer the night sections as a public service.

### **Recommendations**

16. Francis Marion University should ensure that course schedules are published in a timely manner to allow students to adequately plan their academic programs.
17. Francis Marion University should continually monitor and evaluate registration in its night classes to determine which are needed and cost-effective.

### **Controls Over Grade Changes**

In response to allegations that students' grades were being changed without the instructor's approval, we reviewed Francis Marion's process for changing grades. Francis Marion does not have an adequate written policy for grade changes. FMU's grade change authorization form has spaces for the signatures of the instructor, the dean or department head, and the registrar. Eight (15%) of the 54 grade changes we examined were made without the instructor's signature. FMU needs to improve controls over the grade change process.

Francis Marion furnished information on the 201 grades that were changed during the 1997 calendar year. We reviewed the files of 54 students to determine whether there was evidence of appropriate approval for grade changes. Fifteen (28%) of the 54 grade changes examined were missing one or more of the signatures on the grade change form.

- Eight of these files were missing the instructor's signature.
- Six files were missing the dean or department chair's signature.
- Seven files were missing the registrar's signature.

Francis Marion also has a grade appeal process that is initiated when an instructor and a student disagree on the student's grade. The 1997-98 Francis Marion student handbook describes the grade appeal process, which calls for a faculty committee to advise the provost. However, according to an FMU official, this process is unclear and has never been used. The board of trustees adopted a new grade appeal process April 16, 1998. The FMU official stated that the new process is clear, concise, and provides a defined structure for grade appeals.

When controls over grade changes are inconsistent or lacking, there is an increased risk that students will be given inappropriate grades. When the student and the instructor disagree on the student's grade, an appeal process is needed to ensure that the disagreement will be resolved by an impartial third party.

### **Recommendations**

18. Francis Marion University should implement a written policy with appropriate controls for making grade changes.
19. When there is disagreement about whether a student's grade should be changed, Francis Marion University should follow its grade appeal process.

## **APPENDIX A - FMU FACULTY SURVEY**

We conducted a survey of FMU faculty designed to measure faculty attitudes about the relationship between the faculty and the administration. We sent the survey to 173 full-time faculty, excluding only the provost and the 3 deans from the lists of teaching and nonteaching faculty furnished by Francis Marion. After the data were collected, we requested the University of South Carolina's Survey Research Laboratory (SRL) to assist us in analyzing survey results and assessing their validity.

We received 134 responses for an overall response rate of 77.46%. The response rate was highest among faculty from the School of Education, Behavioral and Social Sciences (90.4%). The response rate for those who identified themselves as non-tenured faculty was lower (59.6%) than for tenured faculty (81.8%). The SRL reported that the overall response rate was excellent for a survey of this type, and the characteristics of those who responded are quite similar to those of the population of faculty. While faculty from the School of Education, Behavioral and Social Sciences and tenured faculty are slightly overrepresented among respondents and non-teaching faculty and non-tenured faculty are slightly underrepresented, there is little indication that any potential bias introduced had a significant impact upon the pattern of results.

On the following pages, we present the results for each closed-ended question on the survey, displaying the percentage of responses in each category and the average score for each question. In computing the mean (average) scores, the SRL coded the responses from most positive to most negative. The most positive response was given a score of 1, and the most negative a score of 5, so that higher mean scores indicate more negative responses. For example, respondents who strongly agreed that "the FMU administration is receptive to findings and recommendations of faculty committees" were given a score of 1; those who agreed, 2; undecided, 3; those who disagreed, 4; and those who strongly disagreed, 5.

For questions in which the "strongly agree" response was the most negative position, such as "the administration does not adequately plan changes in its policies and programs," the scoring was reversed, with strongly agree responses scored 5; agree, 4; undecided, 3; disagree, 2; and strongly disagree, 1. Those items for which "strongly agree" responses were given a score of 5 are noted with an asterisk in the displayed results.

A mean score of 1.00 would indicate that all respondents gave the most positive response, and a mean score of 5.00 would indicate that all responses were most negative. A mean greater than 3 shows a negative response.

**Answer the following questions based on your overall knowledge of FMU.**

(\* In computing the mean, "strongly agree" responses were given a score of 5.)

1 = Strongly Agree  
 2 = Agree  
 3 = Undecided  
 4 = Disagree  
 5 = Strongly Disagree  
 6 = Mean\*

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6*</u>
5%	18%	6%	12%	60%	4.02
12%	19%	13%	22%	34%	3.47
11%	27%	9%	18%	34%	3.36
8%	15%	6%	12%	59%	4.00
7%	8%	15%	23%	47%	3.95
14%	14%	8%	16%	48%	3.71
10%	9%	10%	13%	59%	4.02
5%	14%	5%	25%	52%	4.05
8%	9%	12%	16%	55%	4.03
23%	18%	13%	17%	29%	2.89*
69%	21%	5%	3%	2%	4.53*
51%	20%	14%	10%	6%	4.01*
9%	22%	16%	24%	30%	3.46
11%	13%	8%	14%	54%	3.87
10%	12%	23%	15%	40%	3.63
50%	23%	12%	9%	7%	3.99*
5%	4%	10%	12%	70%	4.39
6%	30%	10%	22%	33%	3.45
4%	17%	9%	23%	47%	3.92
10%	6%	9%	22%	53%	4.00
37%	26%	11%	16%	11%	2.37
17%	39%	28%	11%	4%	2.46
18%	29%	11%	21%	22%	3.02
58%	15%	11%	8%	7%	4.10*
6%	14%	9%	15%	56%	3.99

The FMU administration is receptive to findings and recommendations of faculty committees.

The university's policy on academic freedom is adequate.

The criteria for annual evaluations of faculty members are clearly communicated to faculty.

FMU's campus climate for faculty is satisfactory.

FMU's board of trustees performs its duties effectively.

The faculty has adequate input in the process for establishing the curriculum.

FMU as an institution has improved during the current administration.

The administration is timely in communicating changes in policy and programs to the faculty.

The faculty do not suffer adverse employment consequences for expressing their opinions concerning FMU's programs and policies.

I believe some faculty members have been too critical of the FMU administration.

Some issues of conflict between the faculty and the administration remain unresolved.

Recommendations of faculty committees are not implemented by the administration.

The process for annually evaluating faculty members is adequate for assessing their performance.

The FMU president performs his duties effectively.

The university's grievance policy has adequate provisions to protect employee's rights.

The administration does not adequately plan changes in its policies and programs.

The FMU provost performs his duties effectively.

The administration and the faculty have resolved some issues of conflict.

The administration is thorough in communicating changes in policy and programs to the faculty.

The dean of my school performs his duties effectively.

(1) School of Arts and Sciences

(2) School of Business

(3) School of Education, Behavioral and Social Sciences

The faculty has adequate independence from administrative influence in issuing grades.

I believe the administration has been too critical of the faculty.

The relationship between the administration and faculty has improved since the 1996 vote of no confidence.



7% 12% 12% 18% 52% 3.96

7% 11% 5% 31% 46% 2.02\*

69% 25% 2% 2% 2% 4.58\*

63% 10% 9% 12% 6% 4.13\*

16% 15% 9% 18% 43% 2.43\*

The faculty do not suffer adverse employment consequences for expressing their opinions concerning FMU's administration. I believe most faculty members have been too critical of the FMU administration.

Conflict between the faculty and the administration exists.

The faculty's role in decisions involving the curriculum has decreased during the current administration.

Faculty members have been too vocal in expressing their opinions regarding the FMU administration to others in the community.

**Answer the following questions based on your personal experience at FMU.**

19% 51% 3% 21% 7% 2.46

9% 11% 5% 35% 41% 3.87

20% 18% 11% 25% 25% 2.82\*

8% 16% 8% 24% 44% 3.80

8% 32% 10% 30% 21% 3.24

15% 14% 19% 13% 40% 3.50

14% 7% 13% 30% 36% 2.33\*

My access to information technology tools is adequate.

The conflict between the faculty and the administration is not a distraction in the performance of my employment duties.

My academic freedom has been abridged or violated by the FMU administration.

Communications between the administration and faculty meet my needs.

My academic program has adequate equipment.

I support the new FMU faculty governance structure.

My annual evaluation has been lowered by university officials other than the primary evaluator.

**Please circle the appropriate letter.**

I (A) have tenure 99 (B) do not have tenure 31 (No Response) 4

I am in the (A) School of Arts and Sciences 59

(B) School of Business 19

(C) School of Education, Behavioral and Social Sciences 47

(Other) 3

(No Response) 6

## **APPENDIX B - PERFORMANCE INDICATORS FOR HIGHER EDUCATION**

Section 59-103-30 of the South Carolina Code of Laws requires that 9 “critical success factors” and 37 “performance indicators” be used in determining the funding allocations to South Carolina colleges and universities. This funding system will be implemented fully beginning in FY 1999-2000. The success factors and their performance indicators are listed below:

### **1 *Mission Focus.***

- (a) Expenditure of funds to achieve institutional mission.
- (b) Curricula offered to achieve mission.
- (c) Approval of a mission statement.
- (d) Adoption of a strategic plan to support the mission statement.
- (e) Attainment of goals of the strategic plan.

### **2 *Quality of Faculty.***

- (a) Academic and other credentials of professors and instructors.
- (b) Performance review system for faculty to include student and peer evaluations.
- (c) Post-tenure review for tenured faculty.
- (d) Compensation of faculty.
- (e) Availability of faculty to students outside the classroom.
- (f) Community and public service activities of faculty for which no extra compensation is paid.

### **3 *Classroom Quality.***

- (a) Class sizes and student/teacher ratios.
- (b) Number of credit hours taught by faculty.
- (c) Ratio of full-time faculty as compared to other full-time employees.
- (d) Accreditation of degree-granting programs.
- (e) Institutional emphasis on quality teacher education and reform.

### **4 *Institutional Cooperation and Collaboration.***

- (a) Sharing and use of technology, programs, equipment, supplies, and source matter experts within the institution, with other institutions, and with the business community.
- (b) Cooperation and collaboration with private industry.

### **5 *Administrative Efficiency.***

- (a) Percentage of administrative costs as compared to academic costs.
- (b) Use of best management practices.
- (c) Elimination of unjustified duplication of and waste in administrative and academic programs.
- (d) Amount of general overhead costs.

### **6 *Entrance Requirements.***

- (a) SAT and ACT scores of student body.
- (b) High school class standing, grade point averages, and activities of student body.
- (c) Post-secondary non-academic achievements of student body.
- (d) Priority on enrolling in-state residents.

7 *Graduates' Achievements.*

- (a) Graduation rate.
- (b) Employment rate for graduates.
- (c) Employer feedback on graduates who were employed or not employed.
- (d) Scores of graduates on post-undergraduate professional, graduate, or employment-related examinations and certification tests.
- (e) Number of graduates who continued their education.
- (f) Credit hours earned of graduates.

8 *User-friendliness of Institution.*

- (a) Transferability of credits to and from the institution.
- (b) Continuing education programs for graduates and others.
- (c) Accessibility to the institution of all citizens of the State.

9 *Research Funding.*

- (a) Financial support for reform in teacher education.
- (b) Amount of public and private sector grants.

## **APPENDIX C - AGENCY COMMENTS**

**Francis Marion University**  
Box 100547  
Florence, South Carolina 29501-0547

July 24, 1998

Mr. George L. Schroeder, Director  
Legislative Audit Council  
400 Gervais St.  
Columbia, S.C. 29201

Dear Mr. Schroeder:

I want to thank the Legislative Audit Council for its extensive management review of Francis Marion University. Your team of four auditors has spent many hours over the past several months examining university records and asking questions of our personnel at all levels throughout the institution. We made every effort to cooperate by providing data and responding to your requests.

Your final report contains some constructive suggestions for us to consider. We at Francis Marion University will immediately address those recommendations that pertain to improving the management of the university.

I want to go on record respectfully disagreeing with some of your interpretations and conclusions, especially those related to expenditures on the president's house, use of funds for food and entertaining, awarding of scholarships, and changes in student grades. We believe we have provided adequate documentation to LAC to justify our actions.

While we are committed to continuous improvement and welcome constructive recommendations, we are convinced that we have followed state law and abided by university policies in managing the programs and functions of FMU. The record clearly indicates that we took initiatives to significantly improve the university; to focus on accountability issues, i.e., tenure, post-tenure review and promotion criteria; and to increase academic standards. Being out-front on critical issues creates tension; however, if student learning is enhanced, it is worth the effort.

Our goal is to make FMU one of the finest regional universities in the Southeast. Our major accrediting agency, the Southern Association of Colleges and Schools (SACS) substantiated that we were headed in the right direction, but they pointed out that many changes still had to be made, particularly in the academic area. Consequently, we are addressing those issues as quickly as possible.

The following comments are provided as an attachment to the LAC Audit Report for the General Assembly and the citizens of South Carolina to develop an understanding of our response to some of the allegations in your report.

Your cooperation in facilitating our response to the LAC audit is sincerely appreciated.

Sincerely,  
Lee A. Vickers, Ph.D.  
President

## **EXECUTIVE SUMMARY**

### **Faculty Issues**

The results of the faculty survey affirm what we already knew at FMU, that there is dissatisfaction among some employees of the institution. The administration has taken numerous initiatives to deal with this issue, and we are always willing to work with the faculty to deal with the disagreements. Our ultimate goal is to make FMU a better university.

It is not accurate that the FMU administration disregarded the program proposal developed by a faculty committee considering general education issues from fall 1994 to spring 1997. The committee's recommendations did not satisfy SACS. Therefore, we had to address general education requirements again. The committee's proposed general education goals and assessment measures are being utilized by the newly-appointed committee, while computer competency and oral communications are being addressed through the freshman seminar course.

The university does have an adequate faculty grievance procedure. Approved in October 1997, the policy was drafted by an attorney authorized by the Attorney General's Office of South Carolina. This policy has been utilized since that time.

The three part-time faculty members in question are no longer teaching at FMU.

### **Institutional Issues**

We at Francis Marion are concerned about our drop in enrollment and are taking steps to improve retention and to develop better recruiting and marketing initiatives. Retention and recruiting are the responsibility of all faculty, staff and administrators and are tied to providing quality programs that prepare students for the 21st century.

### **Financial Issues**

Francis Marion University had established two budgets for the expenditures of funds for the renovation of the President's Home -- one, an Educational and General Unrestricted Account and the other, a Plant Fund Account with Auxiliary Revenue as the fund source. The university has supporting documentation that all expenditures were cost effective. A procurement oversight was acknowledged with regard to the expenditure of the plant fund account.

Francis Marion University contends that it has not violated state law regarding the spending of public funds on meals, receptions, and entertainment for faculty, staff and members of the Board of Trustees.

Francis Marion University has been reimbursed for all services it provided to the FMU Foundation. Services provided by the university auditor to the FMU Foundation are duly reimbursed with adherence to complete audit independence.

Francis Marion University has an approved system of accounting for equipment that is susceptible to theft.

## **Academic Issues**

Francis Marion University has awarded its merit-based scholarships to students in a fair and equitable manner following established guidelines.

Francis Marion University admits students based upon established criteria. We are increasing admissions standards in a two-step process, beginning in fall 1999. Students who don't meet all the stated criteria but demonstrate academic potential may be admitted provisionally on a case-by-case basis.

Francis Marion University's policy for abatement of out-of-state fees is in accordance with South Carolina Code Section 59-112-70.

Francis Marion University does not change student grades without valid, documented reasons. The university modified its policy in 1997 establishing a one-year limit on grade changes, modified the computer system to alleviate unnecessary clerical handling, and is instituting a new comprehensive grade change policy, effective in August 1998. In each of the cases cited in the LAC report, FMU can provide written documentation to substantiate why a grade was changed and who authorized it.

## **FACULTY ISSUES**

### **Survey of Faculty**

While we believe the LAC survey instrument had some flaws, the results you report affirm what we already knew at FMU, that there is dissatisfaction among some employees of the institution. We believe much of that has to do with raising standards and expectations not only of programs, but also of the people who work in those programs. We must continue to raise standards to maintain a quality institution that will prepare South Carolina's young people to compete in an ever-changing world.

There is a paradigm shift underway at Francis Marion as we re-position the university to meet the community and state's needs for the 21st century. Our objective is to make Francis Marion one of the finest regional universities in the Southeast, providing a student-centered learning environment that is concerned about the welfare of students. We want to get the entire campus collectively headed in the same direction. The FMU administration is not at war with the faculty. Faculty are the heart and soul of a university and their collective efforts are necessary to make this a better university. This university should be a place where all ideas are welcome, a place where people work together to solve problems.

The administration emphatically states that not one employee, faculty or otherwise, has been punished, reprimanded or dismissed from duties because of expression of opinions about the administration or the university's operation. However, employees are held accountable for performance of duties and responding to administrative directives.

Some employees have not been happy with changes that have been made to improve the direction of the university. This is not an academic freedom issue; it is rather an issue of changing the culture of the university, much of it demanded by the state through accountability and performance-based funding or through national accreditation agencies, so that our academic programs are better positioned to prepare students to compete in the 21st century.

We believe some of the negativism is due to the demands associated with a SACS re-accreditation process. On most campuses, reaffirmation is at least a five-year process. But with the arrival of a new administration in 1994, it was determined that minimal preparation had been done to get the university ready for the 1997 SACS reaffirmation decision.

The university was forced to do five years of work in a 14-month time frame. That overload caused discomfort to many. But it was do it or jeopardize the university's accreditation, which would damage the university's reputation as a quality institution. Also during this same period, the state began a performance-based funding initiative that has forced the university to change many of its processes, and that has had an impact throughout the campus.

The faculty's reported lack of support for its new governance structure is puzzling. On Sept. 25, 1997, the faculty (154 attending the meeting) voted by ballot to approve the new constitution. The vote was 79 yes, 68 no and 7 abstaining - a close vote, but nevertheless a majority voting to support the new faculty constitution.

There is no question that this university is stronger today than four-years ago and that has been verified through the SACS re-accreditation process as well as accreditation of many individual academic programs. The public can draw its own conclusions by reviewing the improvements and changes that have been made at the university during this period.

### **Use of Committees**

It is not accurate to say that the FMU administration disregarded the program proposal developed by a faculty committee considering general education issues from fall 1994 to spring 1997. It would be accurate to say that this committee's recommendations did not meet the expectations of the SACS accreditation team. The SACS report was widely distributed to faculty and staff throughout the campus. As your audit report indicates, FMU's General Education requirements have not been revised since the school's founding in 1970, and SACS made a clear expression that assessment and program improvement had not been regularly taking place.

We provided LAC documentation indicating that the committee's proposal clearly shows that the only revisions or changes proposed were adding a speech requirement, a computer requirement, and counting psychology as a science with a lab.

The SACS report indicated that this clearly was not acceptable. Since the General Education Committee had not addressed the requirements demanded by the accreditors, there seemed little choice but to utilize what could be used from the committee's work and begin anew to address the expectations and requirements of the accrediting agency. The committee's proposed general education goals and assessment measures are being utilized by the newly-appointed committee, while computer competency and oral communications are being addressed through the freshman seminar course. So it is not correct to say that we ignored the work and expertise of the first faculty general education committee.

### **Faculty Grievances**

The statement that "the faculty governance policy does not provide an adequate system through which faculty can appeal personnel decisions or alleged violations of academic freedom" is not an accurate statement. The grievance procedure dated October 1997, drafted by the university's attorney approved by the Attorney General's Office of South Carolina, does indeed provide faculty with an adequate system to appeal personnel decisions or alleged violations of academic freedom. Several cases either have been or are in the process of being heard utilizing this policy, including two this summer while the LAC report was being written. We will continue to monitor this policy and work with legal counsel to make adjustments as warranted.

## **Faculty Qualifications**

The three part-time faculty members in question had been teaching at FMU for a number of years when the policy governing faculty qualifications was modified to adhere to the SACS required qualifications. These part-time instructors were told they could no longer teach when the standards were increased, but during the transition period, they were allowed to teach one additional semester because replacements could not be readily identified. They no longer are teaching at FMU.

## **INSTITUTIONAL ISSUES**

### **Declining Enrollment**

Your observations of the university's declining enrollment are essentially correct. However, the trends in our enrollment indicate little overall change since 1985. That year total headcount was 3,434. Enrollment slowly climbed to peak at 4,103 in 1993 and dropped to 3,554 by fall of 1997. However, when you examine freshman enrollment, the trend indicates a slow decline since 1988, as pointed out by SACS. The following figures show that trend with a slight blip the year the institution gained university status in 1992:

1987	1,131
1988	1,148
1989	1,085
1990	1,098
1991	1,045
1992	1,164
1993	1,062
1994	1,054
1995	994
1996	907
1997	811

There are many variables involved in this decrease, including a decline in the traditional college-age market. The Associated Press reported June 21, 1998, that the state's 18-to-24 population decreased 8 percent since 1990. More students also are choosing to take fewer credit hours while holding down jobs.

Nevertheless, we are concerned about the drop in headcount enrollment at FMU and are working diligently to address recruiting and retention of students. We believe that better retention of our current students is the most effective way to increase overall enrollment and improve program quality. Better retention would also increase the percentage of students who actually earn degrees, which is the ultimate goal of most college students.

Indications are that the number of South Carolina high school graduates will not be on the upswing until 2003 as part of the baby-boom cycle that has bottomed out in recent years. There also are enrollment opportunities in business and industry for working adults taking classes and with programs geared toward the state's growing older population.

In the last six months, we have put in place an entirely new and energetic admissions staff at FMU. They are working hard in developing strategies geared toward attracting students to the university. There is some promise that freshmen enrollment may be positively impacted by their efforts in fall of 1998, but their recruiting efforts should be more evident in our fall 1999 freshman class.



## **FINANCIAL ISSUES**

### **Renovations to the President's Home**

The Wallace House, built in 1924, is a two-story frame antebellum style residence that was donated by the Wallace family when land was given to begin higher education as USC-Florence in the 1960s. It was originally used for administrative offices. It was renovated and enlarged in 1983 to serve as the residence of the president of the university.

We believe the president's home is a vital part of the university's physical plant. It is not merely the residence of the chief executive, but it is also a place for show-casing the university to many important constituencies - alumni, donors, community leaders, local captains of industry, as well as students and their parents, faculty, staff and members of the Board of Trustees.

Maintaining such a quality campus facility is an investment in the future of the university. By 1994, the home was in need of repair. With a charge to the new president from the Board of Trustees to do more entertaining to build relationships for fund-raising, plans were made to renovate the house and upgrade some of its facilities to accommodate more entertaining.

The university established and put in place two budgets for renovating the Wallace House, one for repairs and the other for renovations using the resources of university auxiliaries. Our understanding at that time was that renovations made with auxiliary funds were exempt from the Procurement Code. It was during the recent procurement audit that clarification was received on the situation in which auxiliary funds utilized for renovation/construction must comply with the Procurement Code.

During this time frame, no university labor was charged against any university projects, including this one. In March of 1996, the university implemented a maintenance management software package that collects labor costs for all projects.

The administration believes that all items purchased were cost effective, and we have supporting documentation to that effect.

Oriental rugs were purchased that complemented those oriental rugs and antiques already a part of the antebellum decor of the home. These rugs are indeed more cost effective than the installation of wall to wall carpeting.

Concerning the choices made to insure the quality and lasting durability of flooring, cabinets, and counters, we refer you to a letter (Attachment A) from David M. Dunlap of MJA Architects, Inc., of Columbia. Mr. Dunlap was the project architect approved by the State Engineer's Office.

### **Public Funds Used for Meals, Receptions and Entertainment**

The matter of meals, receptions, and entertainment is an area where public colleges and universities in South Carolina have established guidelines that have been questioned by the Legislative Audit Council. As noted in the audit report, this was an issue at South Carolina State University, Winthrop University and now Francis Marion University.

We contend that we have not violated state law regarding the spending of public funds on meals, receptions and entertainment for groups of employees and board members.

We request that the Legislative Audit Council secure an all inclusive opinion from the Attorney General's Office that addresses meals, receptions and entertainment for employees, invited guests, board members, etc., and the appropriate source of funds that would be utilized.

As stated above, entertaining is an investment in the future of the university. As with all universities, it is utilized to build relationships with key constituents and to help with fund-raising. We think it would be totally

inappropriate to invite such constituent groups to campus functions that include food and drink and not welcome some university faculty and staff and members of the Board of Trustees to participate in the food and drink. We consider our faculty, staff and trustees to be part of the friend-raising, fund-raising efforts of Francis Marion University.

Over the last four years, gifts to the university and the FMU Foundation total more than \$2.4 million. Alumni giving is at an all-time high--increasing 68 percent during that period---and 29 new scholarships have been established. The total assets for the FMU Foundation have increased from \$4 million in 1994 to \$7 million in 1997, and when final accounting is done for 1998, we expect it to be about \$8 million. These figures indicate that our investment in the president's home and its use for entertaining is paying dividends for the university. Our students are the ultimate beneficiaries of this effort.

### **Private Organization Affiliated with the University**

The university has obtained full reimbursement for all goods and services provided to the FMU Foundation, namely, personal services, supplies, equipment (if applicable), postage, space allocation and computer resources.

The university auditor's work for the FMU Foundation is duly reimbursed by the foundation. Additionally, the University's Advancement Office is annually included in the audit performed or contracted by the State Auditor's Office, and internal financial controls are reviewed by the state annually.

### **Control of Assets**

Francis Marion University will give careful consideration to your recommendation regarding control of equipment. However, FMU has an approved system of accounting for equipment that is susceptible to theft. No finding in the LAC Audit, the Procurement Audit, the Single Audit, the Financial Audit or internal audits indicates that risk of theft or other loss has increased with the approved July 1, 1996 accounting inventory threshold change.

All equipment in the LAC sample performed was located. The two items noted were located. They had been returned to the respective vendors -- one for replacement and the other for replacement upgrade. What was different were the serial numbers of the replacement items.

## **ACADEMIC ISSUES**

### **Scholarships**

We are confident that academic merit-based scholarships have been awarded to students in a fair and equitable manner following the established guidelines. Through its scholarship process, FMU attempts to recognize the most academically talented students who apply for admission to FMU. The director of admissions, using guidelines and the authority given by the university president, may make recommendations for "reasonable exceptions to the criteria."

The university makes every attempt to reward students who meet the criteria or for whom there are reasonable exceptions. We make those decisions based upon the student's SAT, high school record, class rank, or recommendations of the principal or guidance counselor. Reasonable exceptions are made, because there is always some "gray" area when making these kind of decisions that deal with human beings.

After a student accepts a scholarship to attend FMU, the Admissions Office makes a roster of recipients. Those names are then sent to the Financial Assistance Office with the scholarship amount to be credited to the student's account. All of that becomes a part of a student's permanent record of attending FMU.

The fact that LAC found no problem in our renewing scholarships to students in subsequent years indicates that the initial scholarship offers were made to qualified students who in turn succeeded at FMU.

### **Admissions**

We are confident that students are admitted to FMU based on established criteria. With the institution's emphasis on quality, our Board of Trustees voted in January to raise admissions standards in a two-step process, beginning in fall 1999.

To be admitted to undergraduate study at FMU, students must submit transcripts of high school work and a satisfactory score from the SAT or ACT exams. Currently students need 16 units of high school core courses to be admitted. Freshmen applying for fall 2000 must have completed 18 units as follows: four units of English, three units of Mathematics (Algebra I and II and Geometry), three units of Social Studies (including one unit of U.S. History), two units of Laboratory Science, two units of Foreign Language, one unit of Physical Education or ROTC, and three units of college preparatory electives. In evaluating applications, the university considers the high school record, SAT or ACT scores, recommendations and extracurricular activities.

Students who do not meet all the stated criteria, but who demonstrate the potential for academic success, can be admitted on a provisional basis with some restrictions on their enrollment.

### **Nonresident Fee Waivers**

The university, as the LAC audit indicates, is in full compliance with the policy on fee waivers, which was approved by the Francis Marion University Board of Trustees as they are authorized to do by the South Carolina Code of Laws Section 59-112-70.

The text in the LAC report on non-resident fee waivers begins with an opening sentence that tends to grab the reader's attention with a misleadingly high percentage that is based on a low actual figure, "more than 70 percent of Francis Marion nonresident freshman ... ."

In reality for fall 1997, Francis Marion University had 601 newly enrolled freshmen. Of those, 66 (11 percent) were out-of-state (non-residents). Forty-eight of the 66 did receive scholarships and a waiver of the out-of-state differential. Of those 48 students, out-of-state differential waivers were issued to only three students who received scholarships of \$25 each. The average scholarship of the total 48 non-resident students was \$1,324.

CHE guidelines that were passed in June 1998 will require, beginning in the fall 2000, that scholarships of \$250 or more per semester be awarded before students can qualify for in-state funding under the Mission Resource Requirement Funding Formula. This will apply to all state colleges and universities, and FMU will comply with those guidelines.

## **Changes in Academic Programs and Processes**

As stated earlier, we have implemented many changes at this university over the last four years, some as a result of SACS and other accreditation initiatives and some due to the state's performance-based funding program. Each of these changes was directed at improving quality or improving services to students.

Some of these changes were implemented more quickly than is customary under established norms. Implementing change more quickly is part of the paradigm shift mentioned earlier in this report. The university's accreditation was at stake; therefore, we had no choice but to make the required changes. We also wanted to address the enrollment issue by developing initiatives that would open the campus to new students as well as improve services.

We recognize that the Comprehensive Achievement Program (CAP) had problems, some due to unforeseen circumstances following the death of the program's director. We have hired a new director and taken other steps to address the issues cited in the LAC report.

## **Controls Over Grade Changes**

The LAC allegation is that we at FMU arbitrarily change student grades without proper approval. We categorically deny that grades are changed without valid, documented reasons. The registrar's office is the official repository of student academic records and is the place where all grades are recorded. The staff in that office never changes grades without proper documentation and approval.

Under university policy put in place in 1997, a change of a grade may occur only within one calendar year from the receipt of the grade by the registrar's office. The computer system, which records and maintains student grades, was modified in the spring of 1998 to reduce the number of required clerical changes, thereby decreasing the possibility of errors. Furthermore, a new comprehensive grade change policy will go into effect in August 1998.

While we had a grade appeals process already in place, we have revised the procedures, effective with the fall semester 1998. This new policy was approved by student leaders, the Provost's Council (made up of elected faculty and deans), and the Board of Trustees. It will be published in the new Student Handbook issued to students this fall.

In the 15 specific cases cited by LAC, FMU can provide written documentation regarding why a grade was changed. In the eight cases where LAC alleges the instructor's signature was missing, the files indicate the following:

- In two cases, the professor actually signed the request form;
- In three cases, the instructor either had left university employment or was out-of-state for a prolonged period;
- In two cases, clerical keypunch errors were made and duly noted in the records and acknowledged in letters sent to the students; and
- In one case, the student never attended the class, and the department chair provided written documentation to that effect.

## Attachment A

MJA Inc.  
Architects  
PO Box 84  
1325 Park St., Suite 300  
Columbia, South Carolina 29202

May 26, 1998

Mr. N. C. Frederick  
Senior Vice President for Administration & Finance  
FRANCIS MARION UNIVERSITY  
Post Office Box 100547  
Florence, South Carolina 29501-0547

Dear Casey,

It was a pleasure talking with you yesterday. I really miss coming to the University and seeing everyone.

During our conversation you indicated to me that the Legislative Audit Council had some concerns over the reasonability of several items furnished and installed in the renovation of the Kitchen of the President's home and asked for my professional opinion as to the reasonability of these items, specifically the heart pine flooring, corian countertops and custom made cherry cabinets.

I will attempt to address each of these items, however, I would like to begin by stating that great care and consideration was taken to insure that the selection of materials for the renovation was sympathetic and in keeping with the period of this excellent early 20th century plantation style house, not only from a historical standpoint, but also from a long term investment standpoint for the University. This magnificent structure will now be able to serve the University in the manner it should for generations to come.

To address each of the three (3) items mentioned above, I offer the following:

1. Heart Pine Flooring: A new flooring was required due to the relocation of interior wall partitions and reinforcing of the structural floor system during the renovation. Heart pine flooring was selected over other types of floor covering for the following reasons:

- a) Blends into the rest of the main house which already had heart pine flooring.
- b) Heart pine flooring is a permanent flooring which will never have to be replaced.
- c) Maintenance of heart pine flooring, with today's high impact finishes, can be achieved by simple dampmopping. Should damage occur, the flooring can be resanded, restained and resealed, instead of having to be replaced, as would be the case with other types of floor coverings.
- d) The contractor was able to obtain the heart pine flooring at a cost well below normal retail cost, thereby keeping the cost more in line with other, less permanent, types of custom floor coverings. It must be noted that not only did the cost of the heart pine flooring include the approximate 600 square feet of Kitchen area, but also 160 square feet of Food Staging Area next to the formal Dining Room and 600 square feet in the Family Room, for a total of approximately 1360 square feet of flooring. This amounts to approximately \$7.25 a square foot installed and finished.

2. Corian Countertops: Corian countertops were selected for the following reasons:

- a) In a professional, catering style Kitchen, durability, longevity and workable surfaces are critical. This limits the type of countertop which can be used, to either a manmade marble product (such as Corian), real marble, or polished granite. Of those choices the least expensive (Corian) was selected.
- b) In today's market, according to nationally published Kitchen & Bath Business magazine, polished granite and marble are the normal standard products selected by professional catering style kitchen chefs.

3. Custom made cherry cabinets: The custom made cherry cabinets were selected for the following reasons:

- a) Due to the size of the Kitchen and requirements for specialized storage space of formal Dining Room china, silver, serving trays, large cooking pots and pans, etc, many of the low end premanufactured kitchen cabinet suppliers could not furnish sizes required to make Kitchen function in a professional catering style Kitchen. Therefore, cabinets were limited to high end premanufactured custom kitchen cabinet suppliers or custom millwork (shop fabricated) suppliers.
- b) Cost of custom made millwork cabinets, which were installed, was approximately \$17,000.00 less than price furnished by a local Florence kitchen cabinet distributor for custom premanufactured cabinets.

In closing, I must say it is my professional opinion that the items discussed were very reasonable, both in cost and material, for the renovation of the Kitchen of the President's home, and to have selected anything less would have been a great disservice to the University, both in maintenance and future costs.

Sincerely,  
MJA, Inc.

David M. Dunlap, AIA  
Vice President

DMD/am

**SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION**

1333 Main Street  
Suite 200  
Columbia, SC 29202

**Memorandum**

To: Jane Thesing, South Carolina Legislative Audit Council  
From: John E. Smalls, Director of Finance, South Carolina Commission on Higher Education  
Date: 07/30/98  
Re: Francis Marion University Audit

Performance Funding

The Commission on Higher Education concurs with the recommendation 6 regarding implementing a system for verifying the accuracy and consistency of data reported to CHE by the institutions.

Nonresident Fee waivers

CHE staff concurs with recommendation 14. However, we wish to point out that the nonresident fee waiver policy adopted by Commission on Higher Education on June 4, 1998, is not effective until fall 2000 and therefore neither Francis Marion University nor the other public institutions are subject to it until then.